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潤東汽車

China Rundong Auto Group Limited

中國潤東汽車集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1365)

INSIDE INFORMATION

MEMORANDUM OF UNDERSTANDING WITH POTENTIAL INVESTOR

This announcement is made by China Rundong Auto Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 12 August 2021, the Company and Lanhai International Trading Limited (“**Lanhai International**”) entered into a memorandum of understanding (the “**MOU**”) on potential investment in the Company’s shares and participation in the Group’s affairs in relation to, among other things, the restructuring and resumption of trading of the Company’s shares (the “**Potential Transaction**”) whereas Lanhai International, Shanghai Lanhai Automobile Development Co., Ltd. (“**Lanhai Auto**”) or one of their affiliates shall be the investor (the “**Potential Investor**”, together with the Company, the “**Parties**”).

INFORMATION OF THE POTENTIAL INVESTOR

Lanhai International is a private company incorporated in Hong Kong with limited liability and is principally engaged in the business of investment holding. Lanhai Auto is a company established in the People’s Republic of China (“**PRC**”) with limited liability and is principally engaged in the sale of motor vehicles. As at the date of this announcement, Lanhai International is the chargee of 384,075,200 ordinary shares and 464,195,547 convertible preference shares of the Company.

NON-BINDING NATURE OF THE MOU

Save for certain provisions (e.g. confidentiality, exclusivity, legal obligation, expense provisions), the MOU is non-legally binding and only indicates the direction of the strategic cooperation between the Parties.

The Board hereby emphasizes that details of the Potential Transaction shall be subject to negotiations between the Parties and the execution of formal agreement. The Company will make further announcement(s) as and when appropriate pursuant to the requirements of the Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, if applicable.

REASONS AND BENEFITS FOR ENTERING INTO THE MOU

The Company is principally engaged in the sale of branded motor vehicles and second hand motor vehicles and maintenance service, as well as providing other services such as auto insurance agency, auto financing, auto financing lease, etc. in the PRC.

The Directors consider that if a substantive agreement can be concluded, the Potential Transaction would provide a good opportunity for the Group to alleviate from its financial situation and forms part of the plan to fulfil the condition imposed by the Stock Exchange to the resumption of trading of the Company's shares (the "**Resumption Conditions**").

The terms of the MOU were arrived at after arm's length negotiations between the Parties. The Directors consider that the Potential Transaction is on normal commercial terms and the terms of the MOU are fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Potential Transaction or other provisions contemplated under the MOU are subject to, among others, further negotiation between the Parties. There is no assurance that the Potential Transaction will materialize or eventually be consummated. At present, discussions between the Parties are still on-going and the terms and conditions of a formal agreement are yet to be finalized and agreed between the Parties. As such, the Potential Transaction or other provisions contemplated under the MOU may or may not proceed. Further announcement(s) in respect of the Potential Transaction or any other provisions contemplated under the MOU shall be made by the Company in the event that any formal agreement has been entered into. Shareholders and potential investors of the Company are advised to exercise extreme caution when dealing in the shares of the Company and if they are in any doubt about their position, they should consult their professional adviser(s).

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:00 a.m. on 1 April 2021. Trading in the shares of the Company will remain suspended until further notice pending fulfilment of the Resumption Conditions and such other further conditions that may be imposed by the Stock Exchange. The Company will keep its shareholders and the public informed of the latest developments by making further announcement(s) as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Rundong Auto Group Limited
Yang Peng
Chairman

Shanghai, the People's Republic of China, 13 August 2021

As at the date of this announcement, the executive Directors are Mr. Yang Peng and Mr. Pei Yuanhe; and the independent non-executive Directors are Mr. Mei Jianping, Mr. Chow Ming Sang, Mr. Xiao Zhengsan and Mr. Li Xin.